

**OMFS Update for Outpatient Hospital and Ambulatory Surgical Center (ASC)
Services
(Effective March 1, 2009)**

1. Data Sources

- a. The Medicare 2009 update to the hospital outpatient prospective payment system was published on November 18, 2008 in the Federal Register (Vol. 73 FR 68502) and is entitled "Medicare Program: Changes to the Hospital Outpatient Prospective Payment System and CY 2009 Payment Rates; Changes to the Ambulatory Surgical Center Payment System and CY 2009 Payment Rates; Hospital Conditions of Participation: Requirements for Approval and Re-Approval of Transplant Centers To Perform Organ Transplants – Clarification of Provider and Supplier Termination Policy Medicare and Medicaid Programs: Changes to the Ambulatory Surgical Center Conditions for Coverage " (CMS-1404-FC; CMS-3887-F; CMS-3835-F-1). The wage index values were published in a separate notice on August 19, 2008 in the Federal Register (Vol. 73 FR 48434) and is entitled “Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates; Payments for Graduate Medical Education in Certain Emergency Situations; Changes to Disclosure of Physician Ownership in Hospitals and Physician Self-Referral Rules; Updates to the Long-Term Care Prospective Payment System; Updates to Certain IPPS-Excluded Hospitals; and Collection of Information Regarding Financial Relationships Between Hospitals” (CMS-1390-F; CMS-1531-IFC1; CMS-1531-IFC2; CMS-1385-F4). A correction to the final rule was published on October 3, 2008, in the Federal Register (Vol. 73 FR 57541), and is entitled “Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates; Payments for Graduate Medical Education in Certain Emergency Situations; Changes to Disclosure of Physician Ownership in Hospitals and Physician Self-Referral Rules; Updates to the Long-Term Care Prospective Payment System; Updates to Certain IPPS-Excluded Hospitals; and Collection of Information Regarding Financial Relationships Between Hospitals; Correction” (CMS-1390-CN; CMS-1531-CN; CMS-1385-CN2). A notice to the final rule was published on October 3, 2008 in the Federal Register (Vol. 73, FR 57888), entitled, “Medicare Program; Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates: Final Fiscal Year 2009 Wage Indices and Payment Rates Including Implementation of Section 124 of the Medicare Improvement for Patients and Providers Act of 2008; Notice” (CMS-1390-N). A notice to the final rule was published on December 3, 2008 in the Federal Register (Vol. 73, FR 73656), entitled, “Medicare Program; Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates: Fiscal Year 2009 Wage Index Changes Following Implementation of Section 124 of the Medicare Improvement for Patients and Providers Act of 2008; Notice” (CMS-1390-N2).
- b. The Federal Register documents are available at <http://www.cms.hhs.gov/HospitalOutpatientPPS/> ,

<http://www.cms.hhs.gov/AcuteInpatientPPS/> , and the wage index values are available in a PDF file at http://www.cms.hhs.gov/AcuteInpatientPPS/03_wageindex.asp#TopOfPage

2. The fixed-dollar outlier threshold is \$1,800.00 for services rendered after March 1, 2009.
3. Title 8 CCR §9789.31 is amended as follows:
 - a. For services rendered on or after March 1, 2009, §9789.31 is amended to incorporate by reference the following:
 1. The Centers for Medicare and Medicaid Services' (CMS) 2009 Hospital Outpatient Prospective Payment System (HOPPS), for the Calendar Year 2009, published in the Federal Register on November 18, 2008 Volume 73, No. 223, Addenda A, B, D1, D2, E, L, and M found within pages 68816 through 69380 (CMS-1404-FC). See <http://www.cms.hhs.gov/HospitalOutpatientPPS> . The payment system includes:
 - i. Addendum A "Final OPSS APCs for CY 2009"
 - ii. Addendum B "Final OPSS Payment By HCPCS Code for CY 2009"
 - iii. Addendum D1 "Final OPSS Payment Status Indicators for CY 2009"
 - iv. Addendum D2 "Final OPSS Comment Indicators for CY 2009"
 - v. Addendum E "HCPCS Codes That Are Paid Only as Inpatient Procedures for CY 2009"
 - vi. Addendum L "Out-Migration Adjustment"
 - vii. Addendum M "HCPCS Codes for Assignment to Composite APCs for CY 2009".
 2. The American Medical Associations' Physician "*Current Procedural Terminology*", 2009 Edition.
 3. The CMS' 2009 Alphanumeric "*Healthcare Common Procedure Coding System (HCPCS)*".
 4. The Centers for Medicare and Medicaid Services' (CMS) FY 2009 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2009, published in the Federal Register on October 3, 2008, Vol.73, No. 193, Table 4A (pages 57956 through 57961); Table 4B (pages 57961 through 57962); and Table 4J (pages 57988 through 57996) (CMS-1390-N).
 5. The Centers for Medicare and Medicaid Services' (CMS) FY 2009 Hospital Inpatient Prospective Payment Systems (IPPS), adopted for the Fiscal Year 2009, published in the Federal Register on December 3, 2008, Vol. 73, No. 233, Table 2 (page 73657) and Table 4J (pages 73657 through 73658) (CMS-1390-N2).

6. The Fiscal Year 2009 Hospital Inpatient Prospective Payment Systems (IPPS) “Payment Impact File” published by the federal Centers for Medicare & Medicaid Services (CMS), which document is found at <http://www.cms.hhs.gov/AcuteInpatientPPS/>.

4. Title 8 CCR §§9789.32 and 9789.33 are amended as follows: For services rendered on or after March 1, 2009, Sections 9789.32 and 9789.33 are amended to replace the previously assigned status indicator “Q” with status indicators “Q1”, “Q2”, and “Q3”. Status indicator “Q1” would be assigned to all “STVX-packaged codes”; status indicator “Q2” would be assigned to all “T-packaged codes”; and status indicator “Q3” would be assigned to all codes that may be paid through a composite APC based on composite-specific criteria or paid separately through single code APCs when the criteria are not met. Sections 9789.32 and 9789.33 are also amended to reflect new status code indicators “R” (blood and blood products) and “U” (brachytherapy sources).

5. Conversion Factor Calculation

- a. Update to the standardized amount. L.C. 5307.1(g)(1)(A)(i) provides that the annual inflation adjustment for outpatient hospital facility fees shall be determined solely by the estimated increase in the hospital market basket. Thus, in lieu of using the Medicare 2009 rates to determine the updated OMFS amounts, the estimated increase in the hospital market basket was applied to the 2008 OMFS rate.
- b. OMFS conversion factor for hospital outpatient services
 1. The 2008 unadjusted conversion factor was \$61.699. The estimated increase in the market basket is 3.6%. The revised unadjusted conversion factor under the OMFS is \$63.920 ($\61.699×1.036).

6. Wage Index and Adjusted Conversion Factors:

The Division made the following revisions:

- a. Section 9789.34 Table A sets forth the wage index values and adjusted conversion factors that are applicable to ASCs. These conversion factors would also be applicable to any hospitals that are not in Table B (section 9789.35).
 - b. Section 9789.35 Table B sets forth hospital-specific wage index values and adjusted conversion factors for services rendered on or after March 1, 2009. Table B reflects the additional 7.1% payment adjustment for services rendered by rural sole community hospitals.
7. To the extent references to the Federal Register or Code of Federal Regulations are made in any sections starting from section 9789.30 through 9789.38 of Title 8 of the California Code of Regulations, said section is amended to incorporate by reference the applicable Federal Register final rule (including additional notices, correction

notices, and revisions) and Federal Regulations in effect as of the date the Order becomes effective, for services rendered on or after March 1, 2009. In particular, to the extent a section makes reference to the CMS hospital outpatient prospective payment system final rule, said section is amended to incorporate by reference the final rule published on November 18, 2008 in the Federal Register (Vol. 73 FR 68502) and is entitled "Medicare Program: Changes to the Hospital Outpatient Prospective Payment System and CY 2009 Payment Rates; Changes to the Ambulatory Surgical Center Payment System and CY 2009 Payment Rates; Hospital Conditions of Participation: Requirements for Approval and Re-Approval of Transplant Centers To Perform Organ Transplants – Clarification of Provider and Supplier Termination Policy Medicare and Medicaid Programs: Changes to the Ambulatory Surgical Center Conditions for Coverage " (CMS-1404-FC; CMS-3887-F; CMS-3835-F-1). To the extent a section makes reference to the CMS hospital inpatient prospective payment system final rule wage index values, said section is amended to incorporate by reference the final rule published on August 19, 2008 in the Federal Register (Vol. 73 FR 48434) and is entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates; Payments for Graduate Medical Education in Certain Emergency Situations; Changes to Disclosure of Physician Ownership in Hospitals and Physician Self-Referral Rules; Updates to the Long-Term Care Prospective Payment System; Updates to Certain IPPS-Excluded Hospitals; and Collection of Information Regarding Financial Relationships Between Hospitals" (CMS-1390-F; CMS-1531-IFC1; CMS-1531-IFC2; CMS-1385-F4); the correction to the final rule published on October 3, 2008, in the Federal Register (Vol. 73 FR 57541), entitled "Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates; Payments for Graduate Medical Education in Certain Emergency Situations; Changes to Disclosure of Physician Ownership in Hospitals and Physician Self-Referral Rules; Updates to the Long-Term Care Prospective Payment System; Updates to Certain IPPS-Excluded Hospitals; and Collection of Information Regarding Financial Relationships Between Hospitals; Correction" (CMS-1390-CN; CMS-1531-CN; CMS-1385-CN2); the notice to the final rule published on October 3, 2008 in the Federal Register (Vol. 73, FR 57888), entitled, "Medicare Program; Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates: Final Fiscal Year 2009 Wage Indices and Payment Rates Including Implementation of Section 124 of the Medicare Improvement for Patients and Providers Act of 2008; Notice" (CMS-1390-N); and notice to the final rule published on December 3, 2008 in the Federal Register (Vol. 73, FR 73656), entitled, "Medicare Program; Hospital Inpatient Prospective Payment Systems and Fiscal Year 2009 Rates: Fiscal Year 2009 Wage Index Changes Following Implementation of Section 124 of the Medicare Improvement for Patients and Providers Act of 2008; Notice" (CMS-1390-N2).

Authority: Sections 133, 4603.5, 5307.1, and 5307.3, Labor Code.

Reference: Sections 4600, 4603.2, and 5307.1, Labor Code.